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STATE TAX FAIRNESS

Montana's Coal Tax in the Context
of State Resource Taxation
in our Federal System

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State tax fairness: Montana's coal tax I



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STATE TAX FAIRNESS

**Montana's Coal Tax
in the Context of State
Resource Taxation
in our Federal System**

THE STORY OF MONTANA'S SEVERANCE TAX ON COAL

pages

AN ACCEPTED SOURCE OF REVENUE

Thirty-three states levy severance taxes on natural resources, and all states tax forestry or mining in some way 3, 17

The Supreme Court recently reaffirmed Montana's right to tax its coal 17, 19

Each state makes its own taxing and spending decisions based on local resources and local needs. Not all states have equal reserves of coal, but not all states have rich farm land or a coastline, a skilled work force or the capital to finance development. No state prospers at the expense of other states. 11, 19, 21

IN LINE WITH OTHER TAXES

Montana collects about \$75 million from its severance tax on coal—less than Minnesota collects on iron ore or Florida earns on phosphate, and tiny compared to the \$1.5 billion collected by Texas. Eight states collect more than \$100 million. Another ten collect \$25-\$100 million 3, 5, 7

Montana does not unfairly export its tax. The market place prevents that. Montana coal is cheap—Detroit Edison will save \$1 billion by using Montana coal, even with the severance tax 7, 21

Forty-eight of the 50 states tax electric or gas utility customers directly through sales or gross receipts taxes. Federal, state and local taxes can add \$5 or more to a customer's monthly electric bill. The effect of the Montana tax is measured in pennies 11, 19

NOT A BURDEN ON CONSUMERS

Even if the Montana severance tax were repealed tomorrow, the consumer would not likely gain. The portion of a typical household's utility bill attributable to severance taxes is so small the consumer would not notice a difference even if every penny were passed through. And it is more likely the utility, or the railroad, or the coal company would simply pocket the difference 5, 7, 13

Rail transportation rates are a much greater share of the cost of coal. In fact, freight rates sometimes triple the price of a ton of coal between mine and market. Coal rates subsidize other freight. Coal rates in the West are increasing 13% per year, much faster than other regions, and even greater increases are expected 5, 9

Severance taxes are not passed through to consumers. Even when severance taxes are translated into a percentage of end-use costs, the Library of Congress estimates the coal tax to represent at most 3.5 percent 9, 13

A RESPONSE TO OUR NEEDS TODAY AND TOMORROW

Montana is doing its part to increase our nation's use of U.S. coal. Coal production has almost tripled since the tax was set at present levels 15, 21

One day the mines of Montana will be exhausted. Montana is using the revenues from the coal tax to create a heritage trust as well as to pay the costs associated with today's strip mine development. Coal is not a renewable resource 22, 23

Q. What is a severance tax?

A. A tax assessed when a natural resource is harvested or mined is called a severance tax. The tax is based on the value of the resource or the quantity removed. Every state taxes the production of timber or minerals in some way, and 33 states have chosen to impose formal severance taxes. Other states have taxes with different names but similar impact.

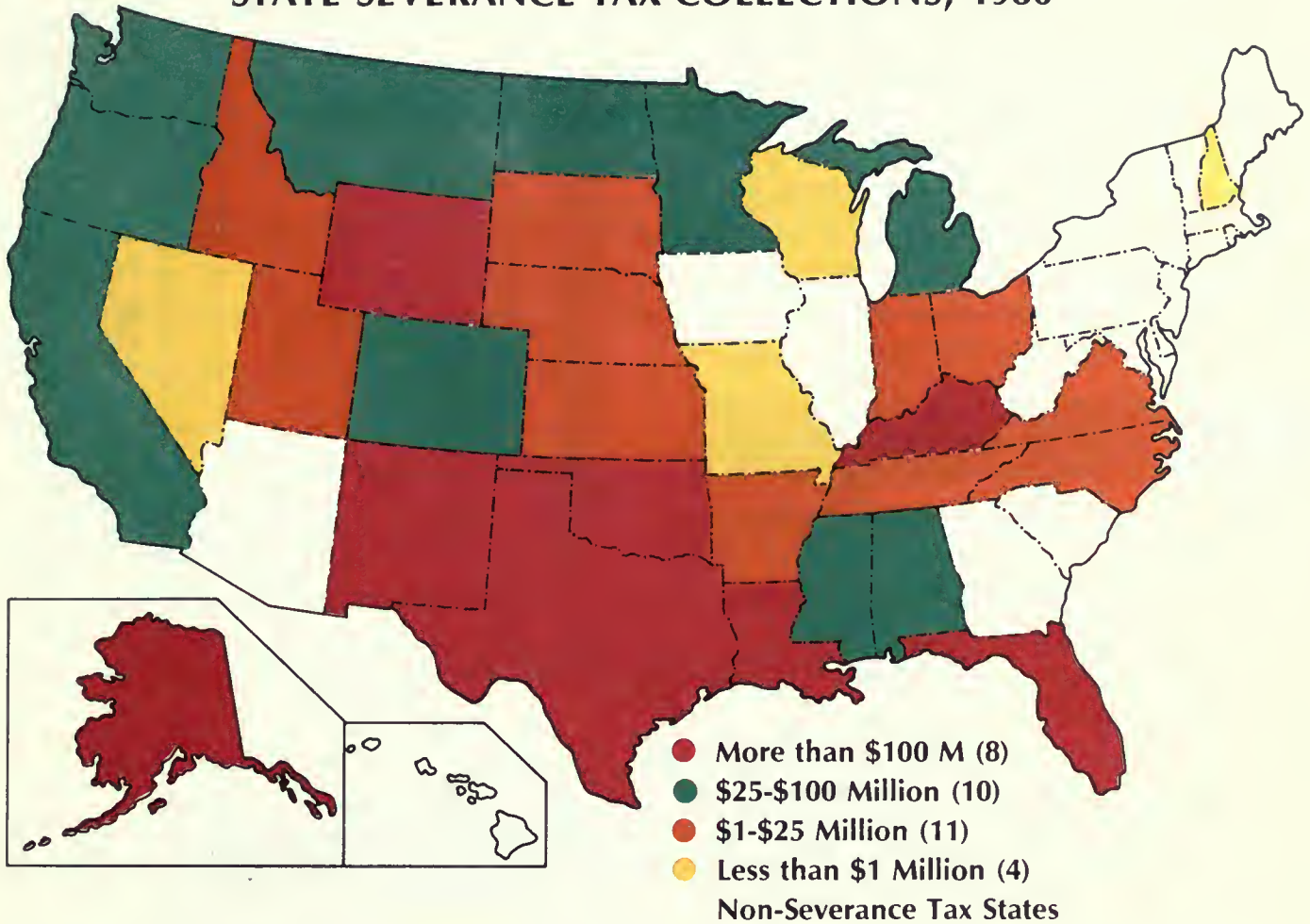
West Virginia, for example, collected \$130 million in 1979 from a "business and occupation" tax. Georgia collects a "business license tax" on oil and gas production. Montana collected about \$75 million in 1980 from a coal "severance tax."

Q. Are severance taxes concentrated in the West?

A. No. Severance taxes are imposed by states in every region of the country on everything from coal, oil and gas to uranium, iron ore, timber, limestone, gravel, and even fish. Michigan was the first state to impose a severance tax in 1846. Texas put a severance tax on oil in 1909. Montana began taxing coal in 1921.

Some states have always relied on severance taxes for a substantial portion of state revenues. Nationwide, severance taxes generated about three percent of total state revenues in 1980. (By comparison, sales taxes amounted to 49 percent of revenues and income taxes, 37 percent.)

STATE SEVERANCE TAX COLLECTIONS, 1980



STATE	1980 Collections (\$ Million)	Chief Source	STATE	1980 Collections (\$ Million)	Chief Source
● Texas	1,525.1	oil & gas	● Arkansas	18.1	coal, forestry*
Louisiana	525.3	oil & gas	Utah	10.6	oil & gas*
Alaska	506.5	oil & gas	Ohio	4.6	oil, coal
Oklahoma	436.1	oil & gas*	Nebraska	2.9	all production*
New Mexico	213.6	oil & gas*	South Dakota	2.4	oil, minerals
Kentucky	177.2	coal	Tennessee	2.2	coal
Florida	121.2	oil, minerals	Idaho	1.9	all production*
Wyoming	105.7	coal, minerals	Indiana	1.5	oil & gas
● Montana	94.6	coal, oil	North Carolina	1.3	forestry
Minnesota	83.5	iron ore	Kansas	1.1	oil & gas
Mississippi	52.5	oil & gas	Virginia	1.0	forestry
Oregon	50.6	forestry	● Wisconsin	.4	all production*
Washington	49.9	forestry	New Hampshire	.3	forestry
North Dakota	43.9	oil, coal	Missouri	.05	minerals
Michigan	43.5	oil & gas	Nevada	.02	all production*
Alabama	32.4	oil & gas*			
Colorado	31.1	oil, coal			
California	25.9	forestry			

*State levies "gross production" or "gross value" tax applicable to the range of that state's natural resources, e.g. ore or metals, oil, gas, other hydrocarbons.

Source: Census Bureau

Q. How much is Montana's severance tax?

A. Montana's tax is about \$2.30 per ton, less than 10% of the cost of coal delivered to the power plant gate.

While the rate varies, the nominal rate for most of Montana's coal is 30%. Since deductions are allowed, the *effective rate* is much less, about 22%. The tax is only 10% of the delivered cost because railroad freight charges can *triple* the cost of the coal after it leaves Montana.

Q. How does Montana's tax compare with other severance taxes?

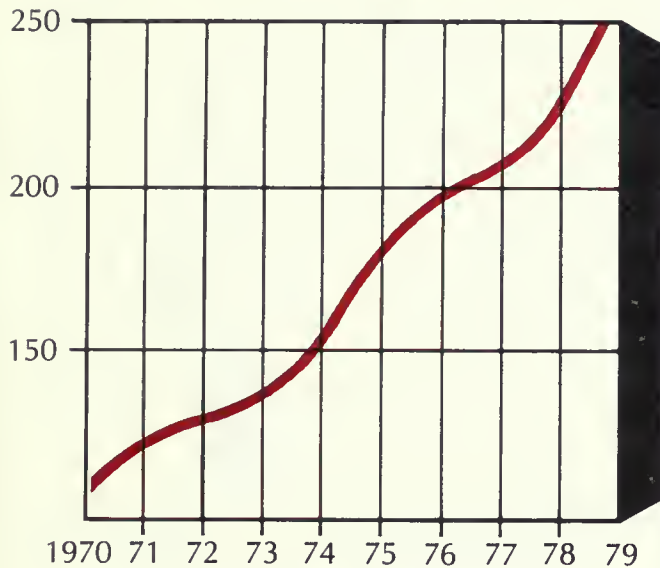
A. In terms of energy content and share of end-use energy costs, Montana's tax is about the same as state taxes on natural gas and much lower than taxes on oil.

The Library of Congress recently estimated that severance taxes on oil account for almost 12% of the end-use energy cost, compared to about 3.5% for coal. (Since most utilities use a mix of fuels, Montana's tax in practice accounts for less than 3.5%.)

Oil severance tax collections doubled in 1980 due to price increases. Since price controls are being phased out on gas, those tax collections are also on the increase. Coal prices remained stable in 1980.

COAL FREIGHT RATE INCREASES 1970-79

1969 = 100



Source: U.S. Statistical Abstracts, 1980

SEVERANCE TAXES AS A PERCENTAGE OF END USE COST OF ENERGY

Energy type	1980	1981
home heating oil	6.3%	12.0%
electricity from oil	6.3%	11.8%
gasoline	4.1%	8.1%
residential gas	3.8%	4.0%
electricity from coal	3.6%	3.5%
electricity from gas	3.4%	3.2%

Source: Library of Congress

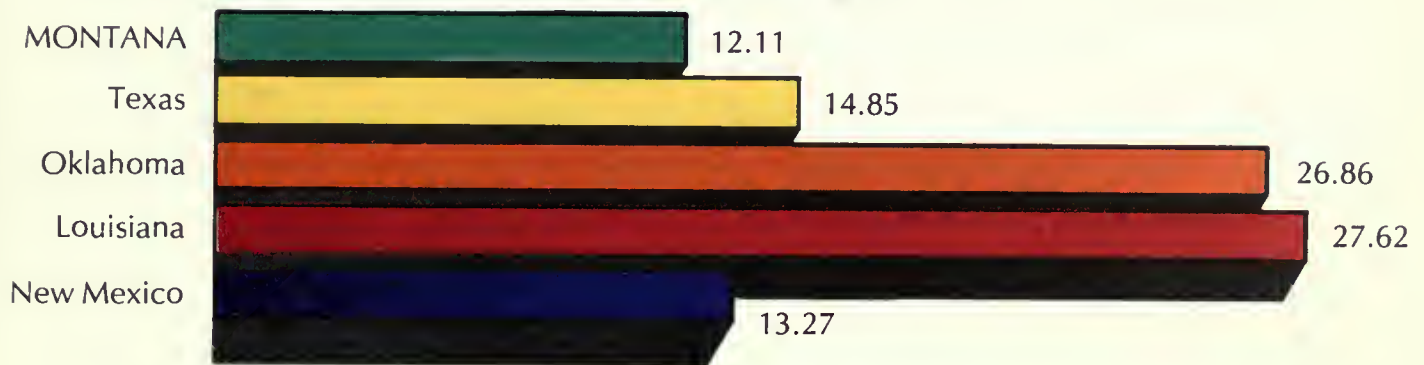
MONTANA'S SEVERANCE TAX ON COAL

1980

VS

SEVERANCE TAXES ON OIL

(¢ per million BTU, 1980)



MONTANA'S SEVERANCE TAX ON COAL

1980

VS

AVERAGE OF SEVERANCE TAXES ON OIL AND GAS



Q. How much does Montana collect from its tax?

A. Montana received about \$75 million from coal in 1980, less than Minnesota received from iron ore or Florida earned from phosphate. The total is tiny compared to major oil and gas producing states. Texas and four other states together collected more than \$3 billion in 1980—three-fourths of all severance tax collections. Put another way, Texas earns as much in three weeks from its severance tax on oil and gas as Montana earns on coal all year.

Q. Is the tax rate as much as Montana's?

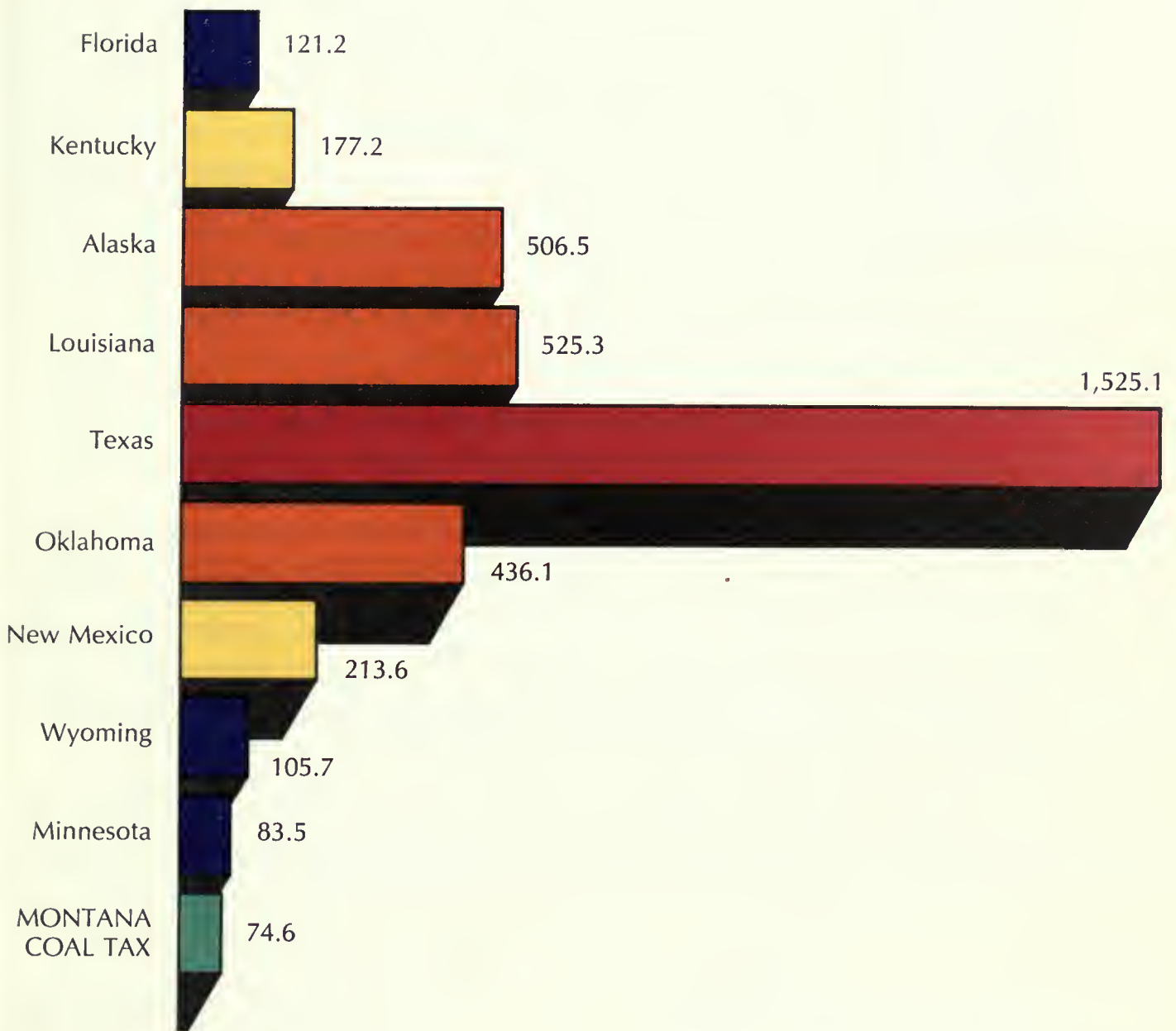
A. No. The percentage "rate" is meaningless standing alone. (After all, 5% of a dollar is more than 10% of a penny.) A consumer, worried about his electric bill, needs to know how much money is involved.

Oil is so expensive that a "small" percentage oil tax generates more revenue from a comparable level of production than a "higher" coal tax. Coal is by far the cheapest fuel, and Montana coal is just about the cheapest in the nation.

Detroit Edison proved that point in 1975. After the severance tax was set at present levels, Detroit Edison signed a long-term contract for Montana coal, estimating it would **save** 40% on fuel costs—**more than \$1 billion**—even with the severance tax.

There are proposals in Congress that would limit coal severance taxes to a fixed percentage rate of 12.5%. The proposals would single out two states—Montana and Wyoming—and the limit would cost Montana about \$40 million a year.

**MONTANA COAL SEVERANCE TAX
vs
OTHER STATE SEVERANCE TAX COLLECTIONS
1980
(\$ Millions)**



Q. In dollars and cents, what effect does Montana's tax have on consumer electric bills?

A. Not much. Literally a few pennies a week—two cents in Detroit and Des Moines, three cents in Chicago. In fact, Mayor Don Fraser of Minneapolis recently estimated the tax is equivalent to **\$2.75 a year** on individual electric bills in his city. Minnesota's own sales tax adds five times that much. Viewed in this light, Montana's tax is hardly "profiteering," especially when measured against the impact of strip mining on Montana communities.

Q. Then why are my electric bills so high?

A. In the complex world of energy and regulation, there is no single answer. One good place to look is rail freight costs. Rail rates add \$15-\$20 or more to the cost of each ton of Montana coal. (Remember, the severance tax is only about \$2.30.)

One recent study calculated that rail rates account for as much as **69%** of the delivered price of Montana coal. That means **rail rates double and often triple the price of coal between mine and market**. The President's Commission on Coal noted that rates are increasing fastest in the West, and are deliberately set high to "subsidize other freight traffic on the Nation's railroads."

Rates are certain to go higher. Congress passed legislation in 1980 giving railroads new flexibility to increase rates.

There is no ready alternative to rail transportation in Montana, and there is only one railroad—the Burlington Northern. The BN's coal hauling monopoly is complete. It even influences the pace and direction of coal development by choosing where to build its rail lines.

Another place to look for lower rates is federal laws which allow utilities to collect money for taxes but avoid paying those taxes through various write-offs. A recent study put these "phantom" tax collections at nearly \$3 billion, and new tax rules will increase the total dramatically.

More efficient methods of generating electricity, such as co-generation, and regulatory policies to lessen peak demand can also help ease rate pressure.

COAL TRANSPORTATION COSTS VS PRODUCTION COSTS AND TAXES 1980

UTILITY	MONTANA COAL COST PER TON				MONTHLY COST PER RESIDENTIAL CUSTOMER		
	Delivered Price	Severance taxes	(% of total)	Transpor- tation	(% of total)	Severance taxes	Transpor- tation
Commonwealth Edison	\$33.47	\$ 3.86	(10.0)	\$20.56	(53.4)	\$ 0.15	\$.80
Interstate Power	25.44	1.65	(6.5)	17.44	(68.5)	.06	.65
Detroit Edison	19.93	2.51	(12.6)	8.06	(40.5)	.10	.32
Lower Colorado River Authority	43.32	4.49	(10.4)	22.56	(52.1)	.82	4.12
Central Illinois Light	30.71	2.44	(7.9)	19.09	(62.2)	.19	1.52
Wisconsin Power and Light	19.63	1.61	(8.2)	\$11.90	(60.2)	.29	2.14
Northern States Power	17.81	1.76	(9.9)	9.36	(52.5)	.31	1.65
Minnesota Power and Light	15.94	1.66	(10.5)	7.44	(46.7)	.37	1.64

Sources: Montana Dept. of Lands from utility, railroad and federal agency data

MONTANA SEVERANCE TAX VS TRANSPORTATION COSTS PER TON OF COAL (% of delivered price)



MONTANA SEVERANCE TAX

RAIL COSTS

COMMONWEALTH EDISON



CENTRAL ILLINOIS LIGHT



INTERSTATE POWER



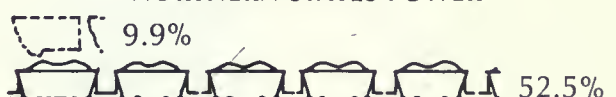
WISCONSIN POWER AND LIGHT



DETROIT EDISON



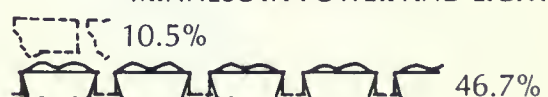
NORTHERN STATES POWER



LOWER COLORADO RIVER AUTHORITY



MINNESOTA POWER AND LIGHT



Most states and cities, as well as the Federal Government, tax utility companies or electricity sales. These taxes add about \$5, and sometimes more, to an average monthly residential bill. State and local sales taxes add more than \$1 to the consumer's monthly bill in Iowa, Minnesota, Wisconsin and Illinois.

In Detroit, where a 5% city tax is added to a 4% state tax, residents pay \$2.70 each month in sales tax. Montana's severance tax is equivalent to only a dime a month.

UTILITY TAXES, 1980

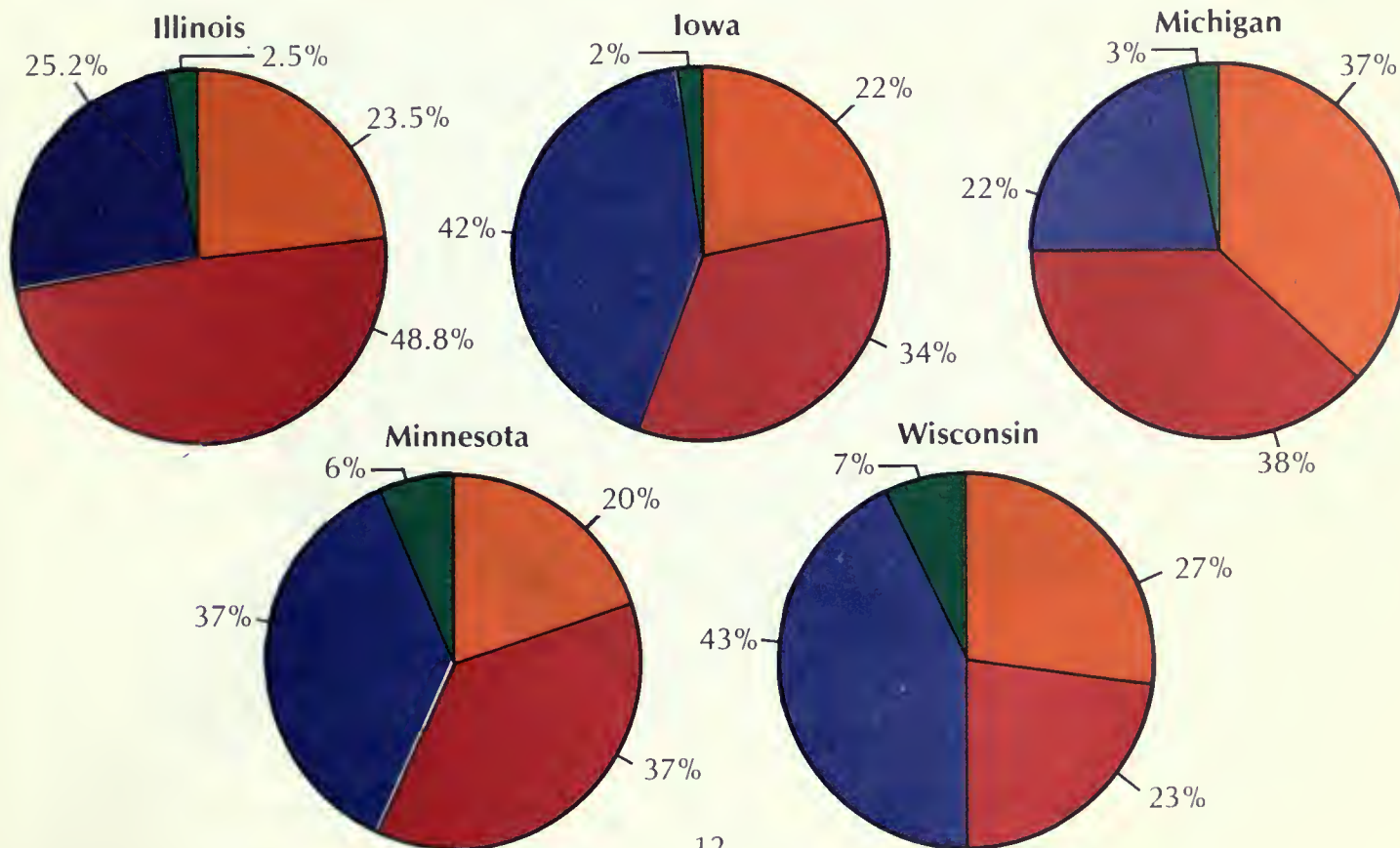
(What the average residential electric utility customer pays each month in local, state and federal taxes on energy)

Taxpayer (Utility)	State and City sales taxes	State income, property and other taxes	Federal taxes on fuel and utilities	Montana severance tax
Illinois (Commonwealth Ed.)	\$1.72	\$3.58	\$1.85	15¢
Iowa (Interstate Power)	\$1.03	\$1.62	\$1.98	06¢
Michigan (Detroit Edison)	\$1.20	\$1.52	\$0.91	10¢
Minnesota (Northern States)	\$1.23	\$1.49	\$1.69	31¢
Wisconsin (Wisconsin P&L)	\$1.35	\$1.17	\$2.18	29¢

Source: Company's Uniform Statistical Report for year ending December 31, 1980

THE CONSUMER'S ENERGY TAX DOLLAR

(% share of city, state and federal taxes on electric energy
vs
% attributable to Montana's severance tax)



Q. Would limiting the tax lower electric bills?

A. Even if every penny of savings were passed through to the consumer, Montana's tax is such a small portion of energy bills that repealing the tax would have no noticeable impact. More likely, the utility company would keep the money. The utilities are not required to pass on any reduction.

The respected Hoover Institution recently concluded that the railroad would likely increase its rates if the tax were reduced. And a Treasury Department official recently testified to Congress that the coal companies themselves might pocket the revenue.

Montana's tax is not a tax on consumers in other states. Numerous studies have concluded that a tax can be "exported" to other states only when one state controls a large share of the market. Otherwise the tax is borne by the producer, in this case the coal company. Coal is plentiful and widely available. There are reserves in 33 states, and mines are producing below capacity. Coal is by far the cheapest fuel.

If the tax were burdensome, customers could and would go elsewhere for their coal. They come to Montana because Montana coal is just about the cheapest in the nation, even with the tax. (In fact, the Hoover Institution estimated Montana could *double* its tax and remain competitive.)

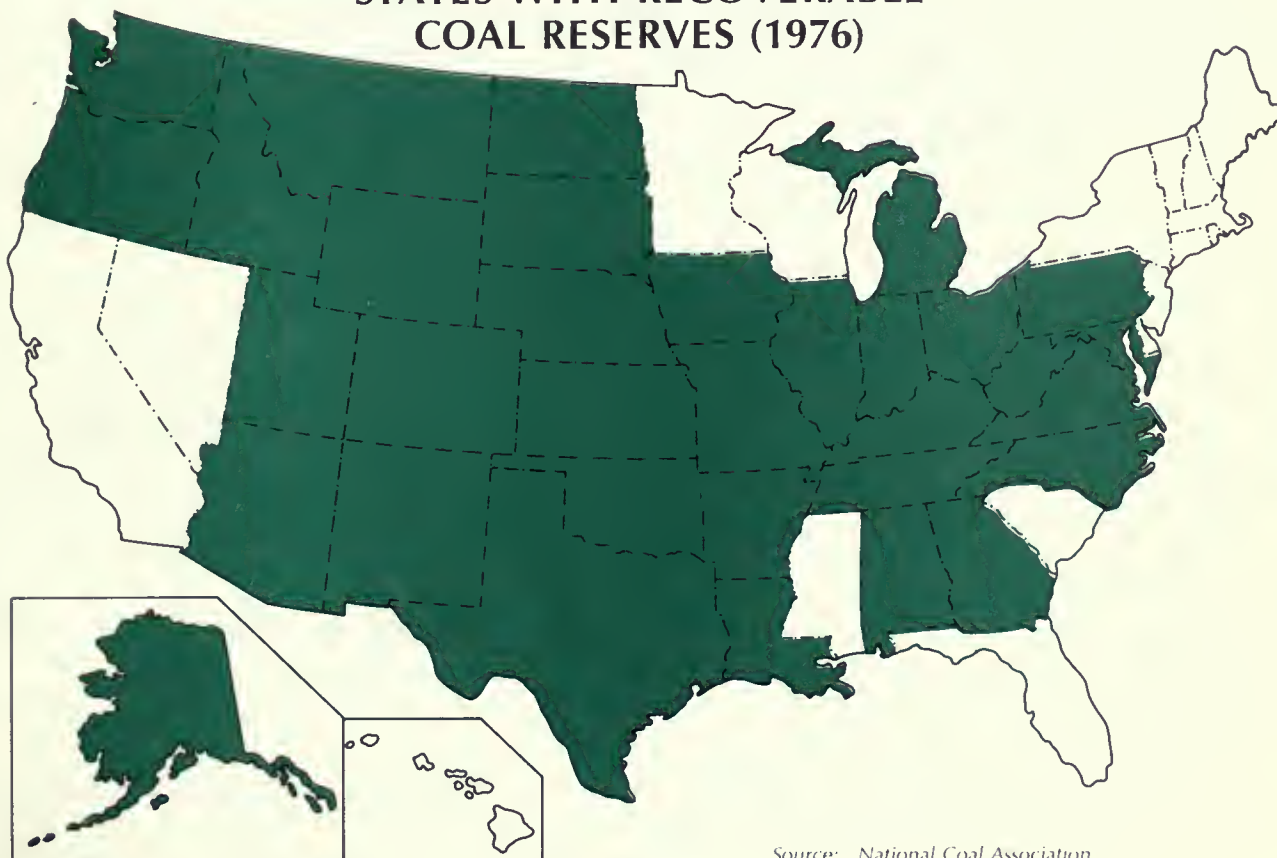
Limiting the tax to 12.5% might even have the unintended effect of *increasing* consumer electric bills. Most states have a lower rate, and might treat the 12.5% cap as a ceiling, raising their severance taxes not only on coal, but on oil and gas as well.

U.S. COAL PRICES, 1979
INCLUDING SEVERANCE TAXES
EXCLUDING TRANSPORTATION COSTS
 (Average mine price)
 \$ per ton

U.S.	\$ 23.75
Alabama	35.59
Colorado	16.72
Illinois	22.75
Indiana	19.22
Kentucky	26.04
Montana	9.76
Ohio	24.09
Pennsylvania	29.97
Virginia	35.99
West Virginia	34.74
Wyoming	9.71

Source: U.S. Energy Information Administration

STATES WITH RECOVERABLE COAL RESERVES (1976)



Source: National Coal Association

Q. Has the tax slowed down coal production?

A. Montana's coal production has nearly tripled since the tax was increased. Production has increased from 1.3 million tons in 1970 to an estimated 34.5 million tons in 1981. Montana now provides more than 4% of the nation's coal, and it will provide more and more as demand increases. Montana coal production can reasonably be expected to increase from 30 million tons in 1980 to between 58 million tons and 80 million tons by 1990. In other words production will double or triple in this decade.

Coal contracts are written to allow utility companies to purchase any amount within a range. A mild winter like 1980-1981 will cause utilities to purchase the minimum amount. A harsh winter or the non-availability of other fuels might cause a maximum purchase.

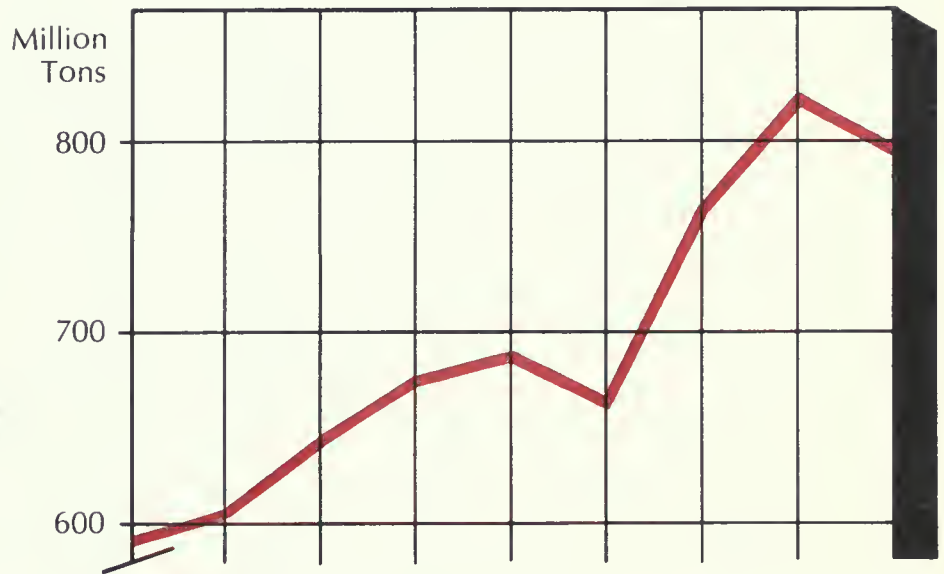
Despite year-to-year fluctuations, the trend is unmistakable—Montana's share of U.S. production is increasing as existing mines are expanded and new fields are opened. Growth has been substantial. It has also been sensibly paced to allow Montana to cope with the environmental and social consequences of rapid development while meeting our nation's need for more coal.

Right now, there is a buyer's market. There is a surplus of coal in the Western states and in the U.S. as a whole. The President's Coal Commission estimated surplus capacity at 200 million tons in 1980.

But our need for coal will increase in the coming decade, and Montana is preparing to meet that need.

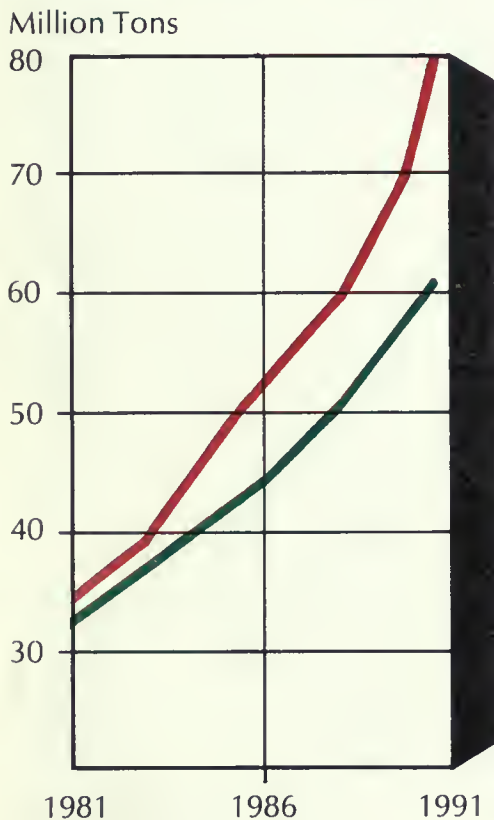
MONTANA COAL PRODUCTION IS CONSISTENT WITH NATIONAL TRENDS

United States

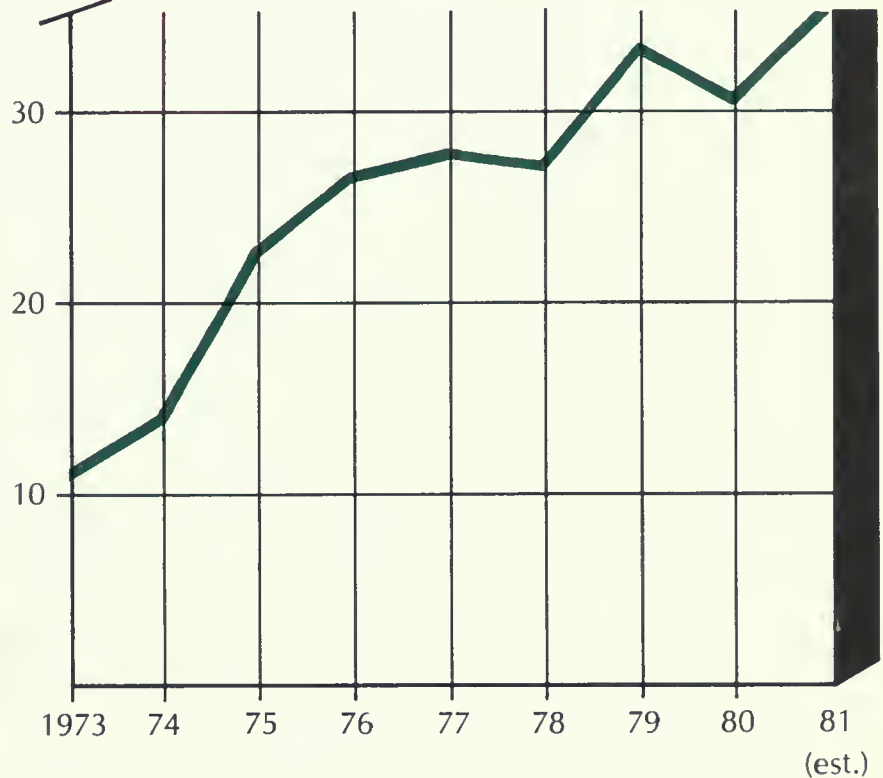


ESTIMATED FUTURE COAL PRODUCTION CAPACITY IN MONTANA 1981-1991

low range high range



Montana



Source: Montana Department of State Lands

Sources: Montana Coal Association
National Coal Association

Q. Why do most states levy severance taxes?

A. Each state makes its own taxing and spending decisions. That is each state's right. States with valuable farm land, for example, generate a greater share of their revenue from farm taxes than do mountainous states. Coastal states tax commercial fishing and tourism.

By whatever name, states also tax their commercially valuable timber and mineral deposits. Every state, in fact, taxes these activities, whether through a "severance tax," a "gross receipts" or "occupation" tax, or through sales or income taxes.

Of course, not every state taxes every resource alike. In upholding Montana's right to levy its severance tax, the U.S. Supreme Court ruled the tax was fairly applied and did not discriminate against consumers in other states. The Court added the tax allows the coal companies to "shoulder their fair share of supporting the State's provision of 'police, fire protection, the benefit of a trained work force, and the advantages of a civilized society.'"

Other states tax other activities. New York, home of Wall Street, raised \$466 million from stock and document transfers in 1980. Other states, ranging in size from California to Wyoming, have chosen not to tax stock transfers.

Taxes on tobacco range from a low of 2¢ per pack in North Carolina to 21¢ per pack in Massachusetts. Of the 46 states with sales taxes, 26 exempt food sales, while 20 do not. Hunting and fishing licenses earn Wisconsin, California and Pennsylvania more than \$20 million each.

Taxes on timber harvesting earned Washington and Oregon \$50 million each in 1980. Minnesota collected \$83 million on iron ore. Florida earned \$80 million from phosphate.

Montana's \$75 million tax on coal is squarely in line.

**STATE TAXATION OF
FOREST AND MINE PRODUCTS**
fiscal year 1979
(\$ millions)

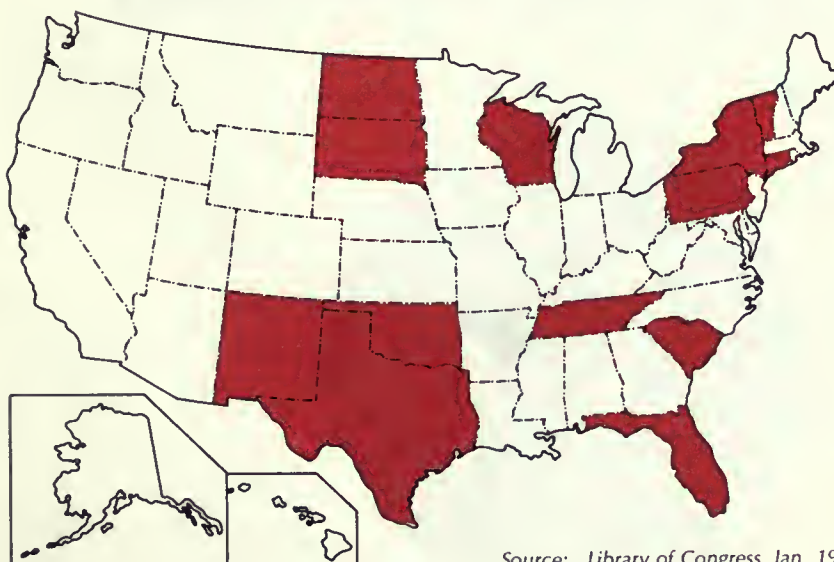
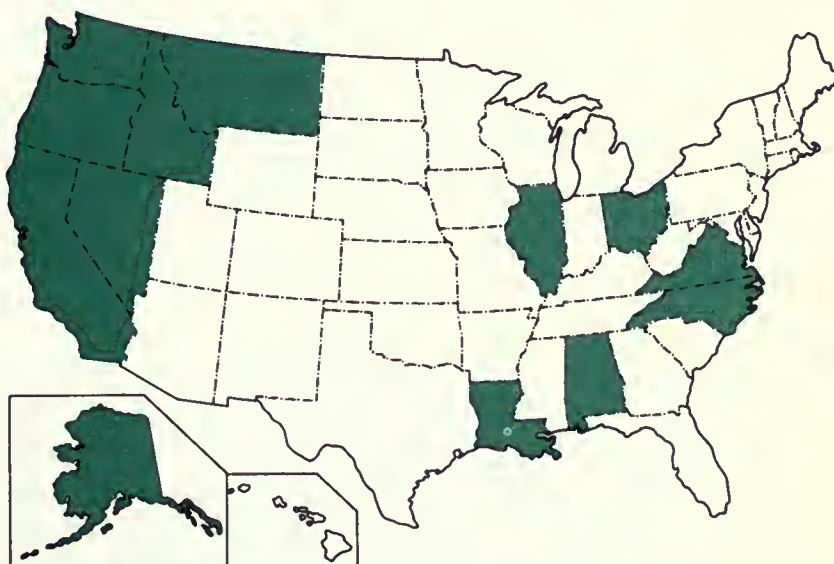
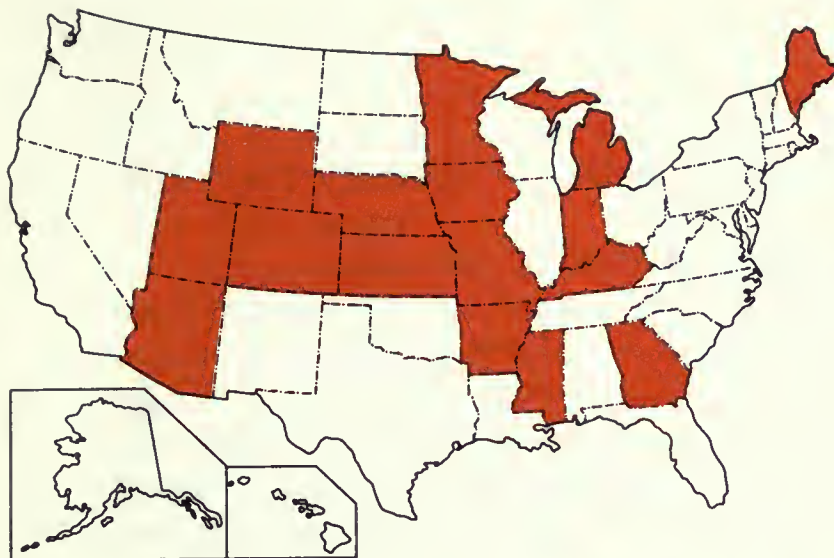
State	Total from forest and mine products	Severance	Property	General sales or gross receipts	Licenses	Corporation Income	Individual Income
U.S. (total)	3,872.6						
Alabama	29.9	\$	\$	—	\$	\$	\$
Alaska	357.9	\$	\$	—	—	\$	\$
Arizona	35.7	—	\$	\$	\$	\$	\$
Arkansas	17.3	\$	\$	—	\$	\$	\$
California	101.6	\$	—	—	—	\$	\$
Colorado	42.8	\$	—	\$	—	\$	\$
Connecticut	0.5	—	\$	\$	—	\$	\$
Delaware	0.4	—	—	—	—	\$	\$
Florida	107.2	\$	\$	\$	\$	\$	—
Georgia	3.0	—	—	\$	—	\$	\$
Hawaii	0.2	—	—	\$	—	\$	\$
Idaho	5.4	\$	\$	—	—	\$	\$
Illinois	21.2	—	—	—	\$	\$	\$
Indiana	7.6	\$	\$	\$	—	\$	\$
Iowa	1.9	—	—	—	—	\$	\$
Kansas	12.6	\$	—	\$	\$	\$	\$
Kentucky	207.2	\$	\$	\$	\$	\$	\$
Louisiana	557.5	\$	—	\$	\$	\$	\$
Maine	7.0	—	\$	—	—	\$	\$
Maryland	1.5	—	—	\$	—	\$	\$
Massachusetts	1.2	—	—	\$	—	\$	\$
Michigan	30.8	\$	—	\$	—	\$	\$
Minnesota	98.2	\$	—	\$	—	\$	\$
Mississippi	39.1	\$	—	\$	\$	\$	\$
Missouri	5.2	\$	\$	\$	—	\$	\$
Montana	63.8	\$	\$	—	—	\$	\$
Nebraska	2.5	\$	—	\$	—	\$	\$
Nevada	0.1	\$	\$	—	—	—	—
New Hampshire	0.3	\$	—	—	—	\$	\$
New Jersey	0.7	—	—	\$	—	\$	\$
New Mexico	171.8	\$	\$	—	—	\$	\$
New York	16.7	—	—	—	—	\$	\$
North Carolina	5.1	\$	\$	\$	—	\$	\$
North Dakota	33.1	\$	—	\$	—	\$	\$
Ohio	20.8	\$	—	—	\$	\$	\$
Oklahoma	332.8	\$	—	\$	—	\$	\$
Oregon	58.5	\$	—	—	\$	\$	\$
Pennsylvania	43.6	—	—	—	—	\$	\$
Rhode Island	0.5	—	—	—	—	\$	\$
South Carolina	2.1	—	—	—	—	\$	\$
South Dakota	2.5	\$	—	\$	—	\$	—
Tennessee	8.1	\$	—	\$	—	\$	\$
Texas	1,030.8	\$	—	\$	—	—	—
Utah	22.6	\$	—	\$	—	\$	\$
Vermont	0.6	—	—	—	—	\$	\$
Virginia	21.6	\$	—	—	—	\$	\$
Washington	43.8	\$	\$	\$	—	—	—
West Virginia	166.6	—	—	\$	\$	\$	\$
Wisconsin	27.2	\$	\$	\$	—	\$	\$
Wyoming	103.5	\$	—	\$	—	—	—

States also tax energy directly, through general or special sales taxes. According to the Library of Congress, 48 of the 50 states levied these taxes ranging from 2% to 7% in 1980. Even some cities add sales taxes to the consumer's electric bill. Detroit adds a 5% tax to Michigan's 4% levy. Des Moines adds 1% to Iowa's 3% state tax.

These taxes are a major source of revenue. In 1980, gas and electric customers paid \$28 million to Minnesota, \$70 million or more to Wisconsin and Indiana and \$112 million to Michigan. Utility customers in Illinois paid \$420 million in 1980. The states put this revenue to work for the general welfare.

Montana puts only 20% of severance tax collections in its general fund to help pay the overall costs of government. The Supreme Court specifically upheld Montana's right to do so.

The Court wrote, ". . . there can be no question that Montana may constitutionally raise general revenue by imposing a severance tax on coal mined in the State. The entire value of the coal, before transportation, originates in the State, and mining of the coal depletes the resource base and wealth of the State, thereby diminishing a future source of taxes and economic activity."



Source: Library of Congress, Jan. 1980

Q. What about the charge that Montana is unfairly “exporting” its tax to other states?

A. All states earn some tax revenue from residents of other states.

Michigan collects about \$300 from the sale of each car built in Detroit. Illinois benefits from the sale of tractors in Wisconsin. New York lures out-of-state tourists. Out-of-state travelers are not exempt from Indiana’s highway tolls.

From turbines to cigarettes to fruit, the price of an item in one state reflects taxes imposed in another. In Montana, where there is no local manufacturing base, virtually all finished goods are brought in from other states, and those states profit from the transaction.

If the Montana tax were unfairly high, consumers could and would go elsewhere. Far from being captives of a few producers, prospective coal purchasers enjoy a buyer’s market because of the national surplus.

Interdependence works both ways. Energy development in the West is financed by capital from the East. Each state shares in our nation’s energy income. The Federal Reserve Bank of Minneapolis recently estimated that Minnesota residents gained \$1.5 billion as their share. Outlays which benefit producing states amounted to \$600 million, for a net gain of \$900 million for Minnesota.

The Federal Reserve study concluded, “. . . in our view, most of the widely publicized estimates of state energy dollar deficits greatly exaggerate the net amount of payments truly leaving any given state as direct income shares of the energy supply process.”

Q. Is Montana using severance tax revenues to eliminate other taxes?

A. No.

Each state treats its revenues differently. Some states add all severance tax proceeds to the general budget along with all their other taxes, and they have a right to do so. Indeed, some states have always relied on severance taxes for a substantial share of their budget.

Coal is not a renewable resource like fish, timber or crops. Montana has chosen to set aside part of its current severance tax revenues to deal directly with the impact of mining—environmental and reclamation costs, water and sewer lines, roads, hospitals, schools, public safety.

And Montana, like 10 other states, also sets aside part of the revenue in a trust fund against the day when the resource is depleted and the mining companies have moved on. The trust fund assures that a share of the value of the coal we use today is available then to protect against unforeseen environmental consequences and to help broaden the local economic base.

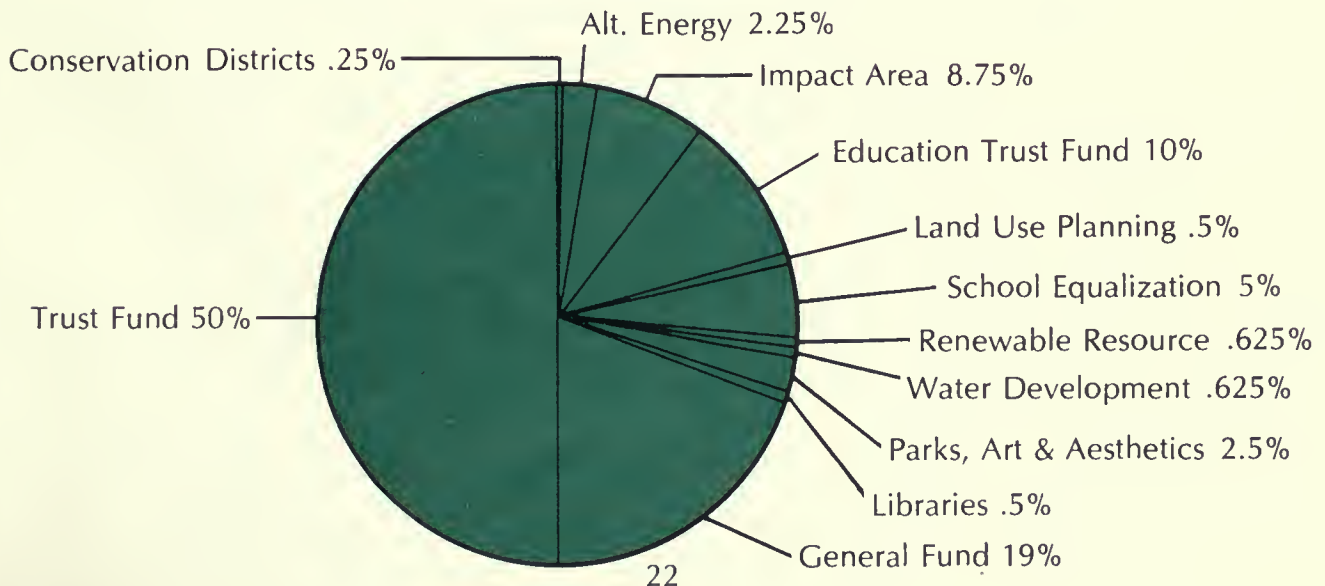
MONTANA SEVERANCE TAX DISTRIBUTION

highlights FY 1976-1981

Mitigating impact	\$50 million
Alternative energy	\$11 million
Trust fund for future*	\$75 million
Education	\$48 million
Parks	\$ 7 million
Other uses	\$80 million

*Trust fund set at 25% from July, 1977-December, 1979.
Set at 50% January 1, 1980.

Current allocation



Q. Don't states already receive federal money to help mitigate the impact of energy development?

A. Yes, but it is not enough by a long shot, and most of the money earmarked for Montana has been tied up in Washington. Montana has received about \$5 million since 1977 from various federal programs, not even enough to cover the cost of roads in the impact areas.

Montana is already spending \$15 million on road construction and another \$160 million will be needed for haul roads, rail crossing improvements and commuter highways. The Congressional Budget Office put non-highway needs at \$115 million in the next 10 years, a conservative estimate. CBO did not directly measure the impact of synthetic fuel plants or mine-mouth power plants. Four synfuel plants are proposed for Montana.

Mining companies are required to "reclaim" strip mined land, but it can never be returned to its original state. And scientists do not yet know how much strip mining damages underground water supplies. The impact of soil loss, erosion, possible ground water contamination and lost wildlife habitat have not been expressed in financial terms. Neither have the social consequences of development—the boom town atmosphere and increased crime and family problems. The impact on farmers and ranchers who must compete for labor is unknown. And the economic distress and dislocation communities suffer when the mines close cannot be calculated.

Montana has seen this kind of dislocation before. In 1980, 1,500 workers lost their jobs in Anaconda and Great Falls when the economics of copper mining shifted. Coal, too, is a nonrenewable resource. Once it is extracted, the resource is gone. Montana's severance tax is the only way Montana can guarantee a portion of the resource for future generations, by setting aside a share of the tax and by looking now for ways to broaden the state's economy so the jobs will stay when the mines move on.

FOR MORE INFORMATION . . .

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